

## DEPARTMENT OF HEALTH AND HUMAN SERVICES

### Centers for Medicare & Medicaid Services



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**MLN Matters® Number: MM9236**

**Related Change Request (CR) #: CR 9236**

**Related CR Release Date: August 21, 2015**

**Effective Date: October 1, 2015**

**Related CR Transmittal #: R3331CP**

**Implementation Date: October 5, 2015**

### **Inpatient Rehabilitation Facility (IRF) Annual Update: Prospective Payment System (PPS) Pricer Changes for FY 2016**

#### **Provider Types Affected**

This MLN Matters® Article is intended for Inpatient Rehabilitation Facilities (IRFs) submitting claims to Medicare Administrative Contractors (MACs) for services provided to Medicare beneficiaries.

#### **Provider Action Needed**

Change Request (CR) 9236 provides updated rates used to pay IRF Prospective Payment System (PPS) claims for Fiscal Year (FY) 2016. A new IRF PRICER software package will be released prior to October 1, 2015, that will contain the updated rates that are effective for claims with discharges that fall within October 1, 2015, through September 30, 2016. Make sure your billing staff are aware of these changes.

#### **Background**

On August 7, 2001, the Centers for Medicare & Medicaid Services (CMS) published a final rule in the Federal Register (see <http://www.gpo.gov/fdsys/pkg/FR-2001-08-07/pdf/01->

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[19313.pdf](#)), that established the IRF PPS, as authorized under the Social Security Act (Section 1886(j); see [http://www.ssa.gov/OP\\_Home/ssact/title18/1886.htm](http://www.ssa.gov/OP_Home/ssact/title18/1886.htm)).

The FY 2016 IRF PPS Final Rule was issued on August 6, 2015, and it sets forth the prospective payment rates applicable for IRFs for FY 2016. You can review the FY 2016 IRF PPS Final Rule at <http://www.gpo.gov/fdsys/pkg/FR-2015-08-06/pdf/2015-18973.pdf> on the Internet.

### *Transition Wage Index*

For FY 2016, all IRFs will receive a one-year transition policy that consists of a blended wage index (50 percent of their FY 2016 wage index based on the new Office of Management and Budget (OMB) delineations and 50 percent of their FY 2016 wage index based on the OMB delineations used in FY 2015).

This transition policy is effective for discharges occurring on or after October 1, 2015, and on or before September 30, 2016. The transition is designed to mitigate some of the negative impact for IRFs that experience a decrease in the wage index.

For FY 2016, some IRFs may have a special Core-Based Statistical Area (CBSA) Code to capture the transition wage index appropriate for their State and county combination. Please refer <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/InpatientRehabFacPPS/Data-Files.html> for State and county combinations with a special CBSA Code in the 50,000 series for some areas.

### *Phase Out of Rural Adjustment*

CMS will implement a 3 year budget neutral phase out of the rural adjustment for those IRFs that meet the definition in 42 CFR §412.602 as rural in FY 2015 and will become urban under the FY 2016 CBSA-based designations. You can review 42 CFR §412.602 at

[http://www.ecfr.gov/cgi-bin/text-idx?SID=c97ad2145949e2eebff13571206892d4&mc=true&node=pt42.2.412&rgn=div5#se42.2.412\\_1602](http://www.ecfr.gov/cgi-bin/text-idx?SID=c97ad2145949e2eebff13571206892d4&mc=true&node=pt42.2.412&rgn=div5#se42.2.412_1602) on the Internet.

CMS will afford a 3 year phase out to existing IRFs that were:

1. Designated in FY 2015 as rural IRFs (pursuant to 42 CFR §412.602), and
2. Re-designated as an urban facility in FY 2016 (pursuant to 42 CFR §412.602).

This will be done in order to mitigate the payment effect upon a rural facility that is re-designated as an urban facility (effective FY 2016) and thereby loses the rural adjustment of 1.149. This adjustment will be in addition to the one-year blended wage index for all IRFs.

### *PRICER Updates for IRF PPS FY 2016*

The updated rates used to correctly pay IRF PPS claims for Fiscal Year (FY) 2016 are shown in the following table:

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**PRICER Updates for IRF PPS FY 2016  
(October 1, 2015 – September 30, 2016)**

|  |                 |
|--|-----------------|
| <b>Standard Federal rate</b>                             | <b>\$15,478</b> |
| <b>Adjusted standard Federal rate</b>                    | <b>\$15,174</b> |
| <b>Fixed loss amount</b>                                 | <b>\$8,658</b>  |
| <b>Labor-related share</b>                               | <b>0.710</b>    |
| <b>Non-labor related share :</b>                         | <b>0.290</b>    |
| <b>Urban national average Cost to Charge Ratio (CCR)</b> | <b>0.435</b>    |
| <b>Rural national average CCR</b>                        | <b>0.562</b>    |
| <b>Low Income Patient (LIP) Adjustment</b>               | <b>0.3177</b>   |
| <b>Teaching Adjustment</b>                               | <b>1.0163</b>   |
| <b>Rural Adjustment</b>                                  | <b>1.149</b>    |

### *2 Percentage Point Reduction*

The Social Security Act (Section 1886(j)(7)(A)(i)) requires application of a 2 percentage point reduction of the applicable market basket increase factor for IRFs that fail to comply with the quality data submission requirements. The mandated reduction will be applied in FY 2016 for IRFs that failed to comply with the data submission requirements during the data collection period January 1, 2014 through December 31, 2014. Thus, in compliance with Section 1886(j)(7)(A)(i) of the Social Security Act, CMS will apply a 2 percentage point reduction to the applicable FY 2016 market basket increase factor (2.4 percent) in calculating an adjusted FY 2016 standard payment conversion factor to apply to payments for only those IRFs that failed to comply with the data submission requirements.

Application of the 2 percentage point reduction may result in an update that is less than 0.0 for a fiscal year and in payment rates for a fiscal year being less than such payment rates for the preceding fiscal year. Also, reporting-based reductions to the market basket increase factor will not be cumulative; they will only apply for the FY involved.

**Note:** The adjusted FY 2016 standard payment conversion factor that will be used to compute IRF PPS payment rates for any IRF that failed to meet the quality reporting requirements for the period from January 1, 2014 through December 31, 2014 will be \$15,174.

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## Additional Information

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The official instruction, CR 9236, issued to your MAC regarding this change is available at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R3331CP.pdf> on the CMS website.

If you have any questions, please contact your MAC at their toll-free number. That number is available at <http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/index.html> under - How Does It Work.

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